

**CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS**  
**H.R. 2952**  
**(THE AMERICAN VETERANS HOMEOWNERSHIP ACT OF 2005)**

**A BRIEFING PAPER**

**HISTORY**

For more than 80 years, the State of California has issued voter-approved, self-liquidating general obligation bonds to generate the major source of funds for loans made by the CalVet Home Loan Program (the Program). These bonds are generally tax exempt at both the state and federal levels, and are referred to as Qualified Veterans Mortgage Bonds (QVMBs) in the Internal Revenue Code.

Veterans pay for the debt service on the bonds and all administrative costs of the Program through the repayment of their home loans. The Program has operated all these years at no direct cost to the taxpayers. More than 416,000 California wartime veterans have benefited from the Program.

Prior to 1984, the Program was able to serve virtually all eligible California wartime veterans using QVMBs. The state was able to issue as many QVMBs as necessary to meet the demand. Other states were authorized to establish similar home loan programs for veterans using QVMBs, although, as of 1984, only Alaska, California, Oregon, Texas, and Wisconsin had done so.

**EFFECTS OF THE TAX REFORM ACT OF 1984**

As a result of the Tax Reform Act of 1984 (the Act), states with home loan programs for veterans were limited as to the veteran population they could serve and the amount of QVMBs they could issue.

The Act limited the use of QVMBs to wartime veterans with active military duty prior to January 1, 1977, and to those that apply for a loan within 30 years from the date of separation from active duty. This limitation prevents the Program from using QVMBs to assist any veteran who entered military service after the Vietnam War. Unfortunately, this means we are unable to serve wartime veterans from all recent conflicts, including Operation Iraqi Freedom, using QVMBs.

The Act also capped the amount of QVMBs states could issue (California's cap is \$340 million per year), and prevented other states from starting new veterans home loan programs. So, under the Act, only Alaska, California, Oregon, Texas, Wisconsin may continue to issue QVMBs.

These provisions of the Tax Reform Act were intended to save money for the federal government by reducing the number of tax-exempt bond programs and to "sunset" state-sponsored veteran home loan programs, by creating restrictions so that, eventually, no veterans will be eligible. Indeed, we are rapidly reaching the point in California where the pool of veterans eligible for QVMBs will be empty.

**WHAT WILL H.R. 2952 DO?**

H.R. 2952, the "American Veterans Homeownership Act of 2005," introduced on June 16, 2005, by Congressmen Herger (CA) and Ryan (WI), would enable California to serve its wartime veterans who entered the service after December 31, 1976.

We believe California should be permitted to provide home loan assistance to its recent wartime veterans. In order to do this, the Internal Revenue Code needs to be changed. H.R. 2952, now before the U.S. Congress, would make these needed changes so all veterans are treated equally and have the opportunity to purchase a home with a low-interest rate mortgage.